

REFERENCE TITLE: internal revenue code conformity

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

# **SB 1156**

Introduced by  
Senator Martin

AN ACT

AMENDING SECTIONS 42-1001, 43-105 AND 43-931, ARIZONA REVISED STATUTES;  
RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2       Section 1. Section 42-1001, Arizona Revised Statutes, is amended to  
3 read:

4           **42-1001. Definitions**

5       In this title, unless the context otherwise requires:

6           1. "Board" or "state board" means either the state board of tax  
7 appeals or the state board of equalization, as applicable.

8           2. "Court" means the tax court or superior court, whichever is  
9 applicable.

10          3. "Department" means the department of revenue.

11          4. "Director" means the director of the department.

12          5. "Internal revenue code" means the United States internal revenue  
13 code of 1986, as amended and in effect as of January 1, ~~2005~~ 2006, including  
14 those provisions that became effective during ~~2004~~ 2005 with the specific  
15 adoption of their retroactive effective dates but excluding all changes to  
16 the code enacted after January 1, ~~2005~~ 2006.

17       Sec. 2. Section 43-105, Arizona Revised Statutes, is amended to read:

18           **43-105. Internal revenue code; definition; application**

19           A. FOR PURPOSES OF COMPUTING INCOME TAX PURSUANT TO THIS TITLE, FOR  
20 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2005 THROUGH DECEMBER 31,  
21 2006, "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL REVENUE CODE  
22 OF 1986, AS AMENDED, IN EFFECT ON JANUARY 1, 2006, INCLUDING THOSE PROVISIONS  
23 THAT BECAME EFFECTIVE DURING 2005 WITH THE SPECIFIC ADOPTION OF ALL FEDERAL  
24 RETROACTIVE EFFECTIVE DATES, BUT EXCLUDING ANY CHANGE TO THE CODE ENACTED  
25 AFTER JANUARY 1, 2006.

26           A. B. For purposes of computing income tax pursuant to this title,  
27 for taxable years beginning from and after December 31, 2004 through December  
28 31, 2005, "internal revenue code" means the United States internal revenue  
29 code of 1986, as amended, in effect on January 1, 2005, including those  
30 provisions that became effective during 2004 with the specific adoption of  
31 all federal retroactive effective dates, ~~but excluding any change to the code~~  
~~enacted after January 1, 2005~~ AND INCLUDING THOSE PROVISIONS OF THE KATRINA  
33 EMERGENCY TAX RELIEF ACT OF 2005 (P.L. 109-73), THE ENERGY TAX INCENTIVES ACT  
34 OF 2005 (TITLE XIII OF THE ENERGY POLICY ACT OF 2005 (P.L. 109-58)) AND THE  
35 GULF OPPORTUNITY ZONE ACT OF 2005 (P.L. 109-135) THAT ARE RETROACTIVELY  
36 EFFECTIVE DURING TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004  
37 THROUGH DECEMBER 31, 2005.

38           B. C. For purposes of computing income tax pursuant to this title,  
39 for taxable years beginning from and after December 31, 2003 through December  
40 31, 2004, "internal revenue code" means the United States internal revenue  
41 code of 1986, as amended, in effect on January 1, 2004, including those  
42 provisions that became effective during 2003 with the specific adoption of  
43 all federal retroactive effective dates and including those provisions of the  
44 working families tax relief act of 2004 (P.L. 108-311), ~~and~~ the American jobs  
45 creation act of 2004 (P.L. 108-357), THE KATRINA EMERGENCY TAX RELIEF ACT OF

1 2005 (P.L. 109-73), THE ENERGY TAX INCENTIVES ACT OF 2005 (TITLE XIII OF THE  
2 ENERGY POLICY ACT OF 2005 (P.L. 109-58)) AND THE GULF OPPORTUNITY ZONE ACT OF  
3 2005 (P.L. 109-135) that are retroactively effective during taxable years  
4 beginning from and after December 31, 2003 through December 31, 2004.

5 ~~C.~~ D. For purposes of computing income tax pursuant to this title,  
6 for taxable years beginning from and after December 31, 2002 through December  
7 31, 2003, "internal revenue code" means the United States internal revenue  
8 code of 1986, as amended, in effect on January 1, 2003, including those  
9 provisions that became effective during 2002 with the specific adoption of  
10 all federal retroactive effective dates and including those provisions of the  
11 working families tax relief act of 2004 (P.L. 108-311), the American jobs  
12 creation act of 2004 (P.L. 108-357), the jobs and growth tax relief  
13 reconciliation act of 2003 (P.L. 108-27), the military family tax relief act  
14 of 2003 (P.L. 108-121) and the medicare prescription drug, improvement, and  
15 modernization act of 2003 (P.L. 108-173) that are retroactively effective  
16 during taxable years beginning from and after December 31, 2002 through  
17 December 31, 2003.

18 ~~D.~~ E. For purposes of computing income tax pursuant to this title,  
19 for taxable years beginning from and after December 31, 2001 through December  
20 31, 2002, "internal revenue code" means the United States internal revenue  
21 code of 1986, as amended, in effect on March 9, 2002, including those  
22 provisions that became effective during 2001 with the specific adoption of  
23 all federal retroactive effective dates and including those provisions of the  
24 working families tax relief act of 2004 (P.L. 108-311), the American jobs  
25 creation act of 2004 (P.L. 108-357), the jobs and growth tax relief  
26 reconciliation act of 2003 (P.L. 108-27) and the military family tax relief  
27 act of 2003 (P.L. 108-121) that are retroactively effective during taxable  
28 years beginning from and after December 31, 2001 through December 31, 2002.

29 ~~E.~~ F. For purposes of computing income tax pursuant to this title,  
30 for taxable years beginning from and after December 31, 2000 through December  
31 31, 2001, "internal revenue code" means the United States internal revenue  
32 code of 1986, as amended, in effect on January 1, 2001, including those  
33 provisions that became effective during 2000 with the specific adoption of  
34 all federal retroactive effective dates and including those provisions of the  
35 working families tax relief act of 2004 (P.L. 108-311), the American jobs  
36 creation act of 2004 (P.L. 108-357), the economic growth and tax relief  
37 reconciliation act of 2001 (P.L. 107-16), the job creation and worker  
38 assistance act of 2002 (P.L. 107-147) and the military family tax relief act  
39 of 2003 (P.L. 108-121) that are retroactively effective during taxable years  
40 beginning from and after December 31, 2000 through December 31, 2001.

41 ~~F.~~ G. For purposes of computing income tax pursuant to this title,  
42 for taxable years beginning from and after December 31, 1999 through December  
43 31, 2000, "internal revenue code" means the United States internal revenue  
44 code of 1986, as amended, in effect on January 1, 2000, including those  
45 provisions that became effective during 1999 with the specific adoption of

1 all federal retroactive effective dates and including those provisions of the  
2 community renewal tax relief act of 2000 (P.L. 106-554), the installment tax  
3 correction act of 2000 (P.L. 106-573), FSC repeal and extraterritorial income  
4 exclusion act of 2000 (P.L. 106-519), the trade and development act of 2000  
5 (P.L. 106-200), the economic growth and tax relief reconciliation act of 2001  
6 (P.L. 107-16), the job creation and worker assistance act of 2002  
7 (P.L. 107-147) and the military family tax relief act of 2003 (P.L. 108-121)  
8 that are retroactively effective during taxable years beginning from and  
9 after December 31, 1999 through December 31, 2000.

10 ~~G.~~ H. For purposes of computing income tax pursuant to this title,  
11 for taxable years beginning from and after December 31, 1998 through December  
12 31, 1999, "internal revenue code" means the United States internal revenue  
13 code of 1986, as amended, in effect on January 1, 1999, including those  
14 provisions that became effective during 1998 with the specific adoption of  
15 all federal retroactive effective dates and including those provisions of the  
16 miscellaneous trade and technical corrections act of 1999 (P.L. 106-36), the  
17 ticket to work and work incentives improvement act of 1999 (P.L. 106-170),  
18 the community renewal tax relief act of 2000 (P.L. 106-554), the installment  
19 tax correction act of 2000 (P.L. 106-573) and the military family tax relief  
20 act of 2003 (P.L. 108-121) that are retroactively effective during taxable  
21 years beginning from and after December 31, 1998 through December 31, 1999.

22 ~~H.~~ I. For purposes of computing income tax pursuant to this title,  
23 for taxable years beginning from and after December 31, 1997 through December  
24 31, 1998, "internal revenue code" means the United States internal revenue  
25 code of 1986, as amended, in effect on January 1, 1998, including those  
26 provisions that became effective during 1997 with the specific adoption of  
27 all federal retroactive effective dates and including those provisions of the  
28 IRS restructuring and reform act of 1998 (P.L. 105-206), the tax and trade  
29 relief extension act of 1998 (P.L. 105-277), the surface transportation  
30 revenue act of 1998 (P.L. 105-178), the miscellaneous trade and technical  
31 corrections act of 1999 (P.L. 106-36) and the military family tax relief act  
32 of 2003 (P.L. 108-121) that are retroactively effective during the taxable  
33 years beginning from and after December 31, 1997 through December 31, 1998.

34 ~~I.~~ J. For purposes of computing income tax pursuant to this title,  
35 for taxable years beginning from and after December 31, 1996 through December  
36 31, 1997, "internal revenue code" means the United States internal revenue  
37 code of 1986, as amended, in effect on January 1, 1997, including those  
38 provisions that became effective during 1996 with the specific adoption of  
39 all federal retroactive effective dates and including the provisions of the  
40 taxpayer relief act of 1997 (P.L. 105-34), the IRS restructuring and reform  
41 act of 1998 (P.L. 105-206), the tax and trade relief extension act of 1998  
42 (P.L. 105-277) and the military family tax relief act of 2003 (P.L. 108-121)  
43 that are retroactively effective during taxable years beginning from and  
44 after December 31, 1996 through December 31, 1997.

1           **J.** K. For purposes of computing income tax pursuant to this title,  
2 for taxable years beginning from and after December 31, 1995 through December  
3 31, 1996, "internal revenue code" means the United States internal revenue  
4 code of 1986, as amended, in effect on January 1, 1996, including those  
5 provisions that became effective during 1995 with the specific adoption of  
6 their retroactive effective date and including those provisions of the small  
7 business job protection act of 1996 (P.L. 104-188; 110 Stat. 1755), the  
8 health insurance portability and accountability act of 1996 (P.L. 104-191;  
9 110 Stat. 1936), the personal responsibility and work opportunity  
10 reconciliation act of 1996 (P.L. 104-193; 110 Stat. 2105), the taxpayer  
11 relief act of 1997 (P.L. 105-34), the IRS restructuring and reform act of  
12 1998 (P.L. 105-206) and the tax and trade relief extension act of 1998  
13 (P.L. 105-277) that are retroactively effective during taxable years  
14 beginning from and after December 31, 1995 through December 31, 1996.

15           **K. For purposes of computing income tax pursuant to this title, for**  
16 ~~taxable years beginning from and after December 31, 1994 through December 31,~~  
17 ~~1995, "internal revenue code" means the United States internal revenue code~~  
18 ~~of 1986, as amended, in effect on January 1, 1995, including those provisions~~  
19 ~~that became effective during 1994 with the specific adoption of their~~  
20 ~~retroactive effective date and including those provisions of the small~~  
21 ~~business job protection act of 1996 (P.L. 104-188; 110 Stat. 1755), the~~  
22 ~~health insurance portability and accountability act of 1996 (P.L. 104-191;~~  
23 ~~110 Stat. 1936), the personal responsibility and work opportunity~~  
24 ~~reconciliation act of 1996 (P.L. 104-193; 110 Stat. 2105), the taxpayer~~  
25 ~~relief act of 1997 (P.L. 105-34), the IRS restructuring and reform act of~~  
26 ~~1998 (P.L. 105-206) and the tax and trade relief extension act of 1998~~  
27 ~~(P.L. 105-277) that are retroactively effective during taxable years~~  
28 ~~beginning from and after December 31, 1994 through December 31, 1995.~~

29           Sec. 3. Section 43-931, Arizona Revised Statutes, is amended to read:

30           43-931. Change of accounting period: computation of income: due  
31 date of return

32           A. If a taxpayer, with the approval of the department, changes the  
33 basis of computing taxable income from fiscal year to calendar year, a  
34 separate return shall be made for the period between the close of the last  
35 fiscal year for which return was made and the following December 31. If the  
36 change is from calendar year to fiscal year, a separate return shall be made  
37 for the period between the close of the last calendar year for which return  
38 was made and the date designated as the close of the fiscal year. If the  
39 change is from one fiscal year to another fiscal year a separate return shall  
40 be made for the period between the close of the former fiscal year and the  
41 date designated as the close of the new fiscal year.

42           B. If a separate return is made under subsection A on account of a  
43 change in the accounting period, and in all other cases where a separate  
44 return is required or permitted by regulations prescribed by the department  
45 to be made for a fractional part of a year, the income shall be computed on

1 the basis of the period for which the separate return is made. The due date  
2 of the separate return for such period is the fifteenth day of the fourth  
3 month following the close of such period UNLESS THE SHORT PERIOD RETURN IS  
4 DUE TO A CHANGE IN OWNERSHIP OF A CORPORATION IN WHICH CASE THE DUE DATE  
5 SHALL BE DETERMINED PURSUANT TO 26 CODE OF FEDERAL REGULATIONS SECTION  
6 1.1502-76.